



Inmate Healthcare Costs

June 8, 2010

Inmate Healthcare

➤ OVERVIEW

- Current Delivery System
- Population Trends
- Health Care Cost
- Key Cost Drivers
- The Future of Healthcare in NCDOC

Current Delivery

Overall Services

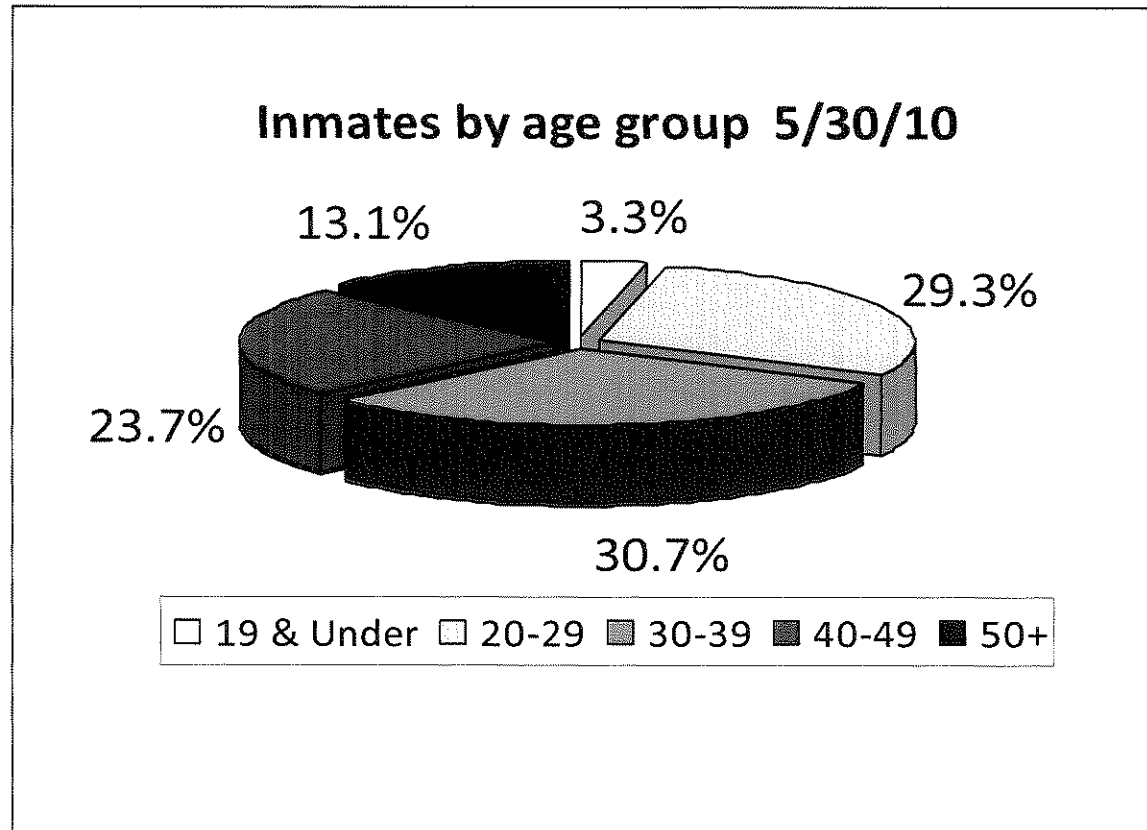
- **Comprehensive**
 - **Medical and Surgical Care**
 - **Mental Health Care**
 - **Dental Care**
 - **Nursing Care**
 - **Pharmacy**

- **Service Levels**
 - **Primary Care**
 - **Specialty Care**
 - **Inpatient Care**
 - **Residential Care**

Cost Drivers: Inmate Population Trends

Facts:

- Average age is steadily increasing, with over a third of current inmates in the 40+ age bracket
- Due to the typical health care received over a lifetime, incoming inmates are expected to have equivalent health status of a person who is 10 years older*

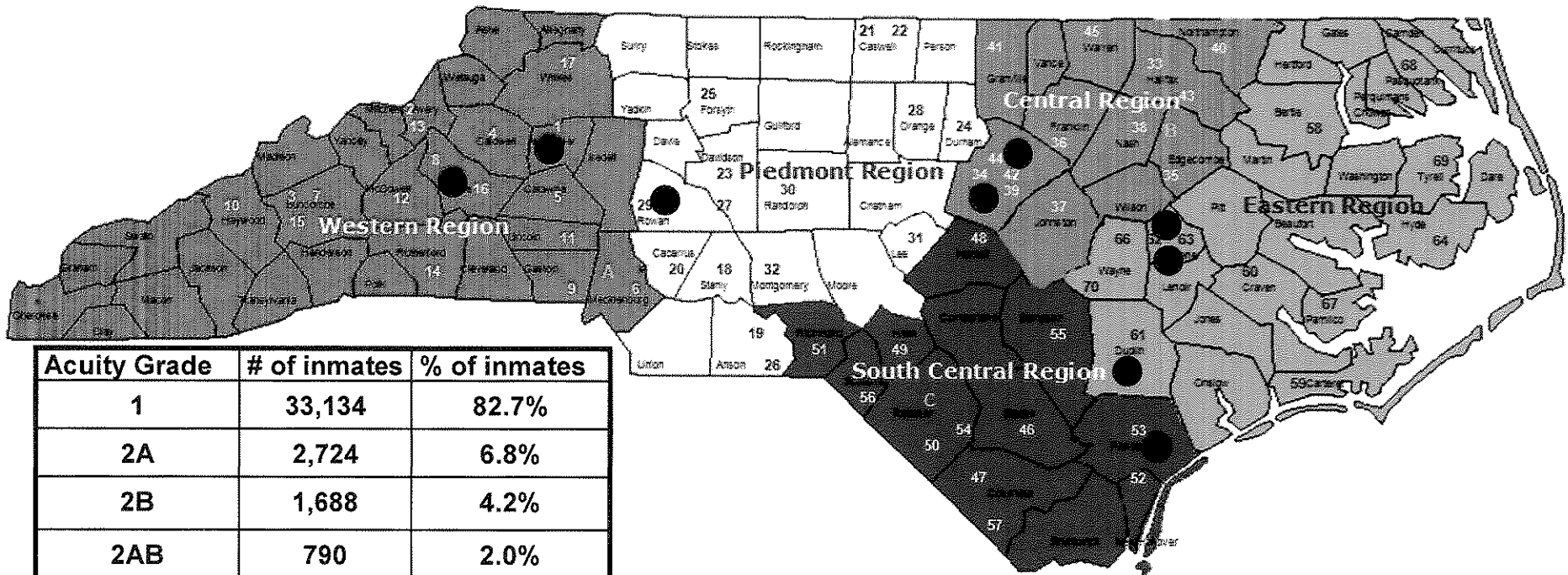


Census Date	Inmates 40+ years old
6/30/05	25.4%
6/30/06	26.9%
6/30/07	28.5%
6/30/08	30.1%
6/30/09	31.6%
5/30/10	32.8%

Housing of Inmates

- Regional locations
 - Based on custody levels
 - ✓ Public safety needs
 - ✓ Classified as close, medium or minimum
 - ✓ Each prison with specific distinctions
 - ✓ Staffing and basic internal/external function
 - Based on healthcare needs
 - ✓ Disease entities
 - ✓ Acuity levels
 - ✓ Resource (staff) availability

NCDOC Major Inmate Medical Care Locations

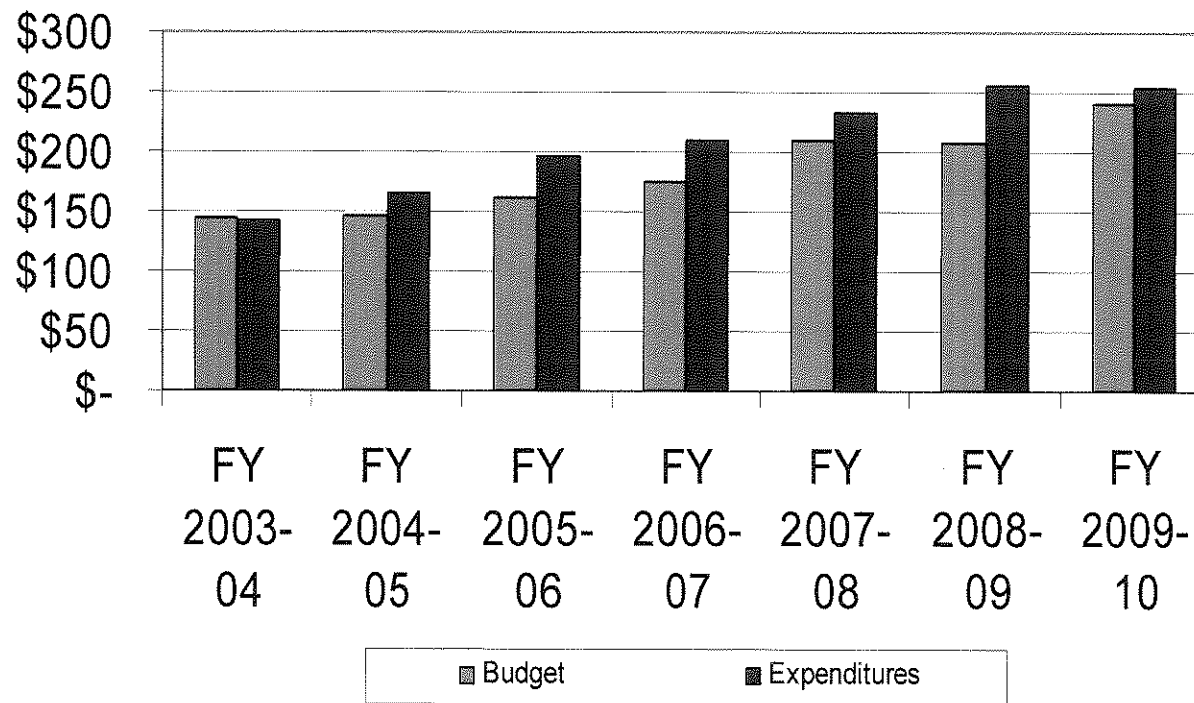


Acuity Grade	# of inmates	% of inmates
1	33,134	82.7%
2A	2,724	6.8%
2B	1,688	4.2%
2AB	790	2.0%
3A	419	1.0%
3B	137	0.3%
3AB	96	0.2%
4A	154	0.4%
4B	96	0.2%
4AB	22	0.1%
unassigned	795	1.9%
Total	40,055	100.0%

Central Prison	4AB
NCCIW	4AB
Alexander CI	4AB
Maury CI	4AB
Foothills CI	3AB
Piedmont CI	3AB
Greene CC	3AB
Pender CI	3A
Duplin CC	3A

Budget Data

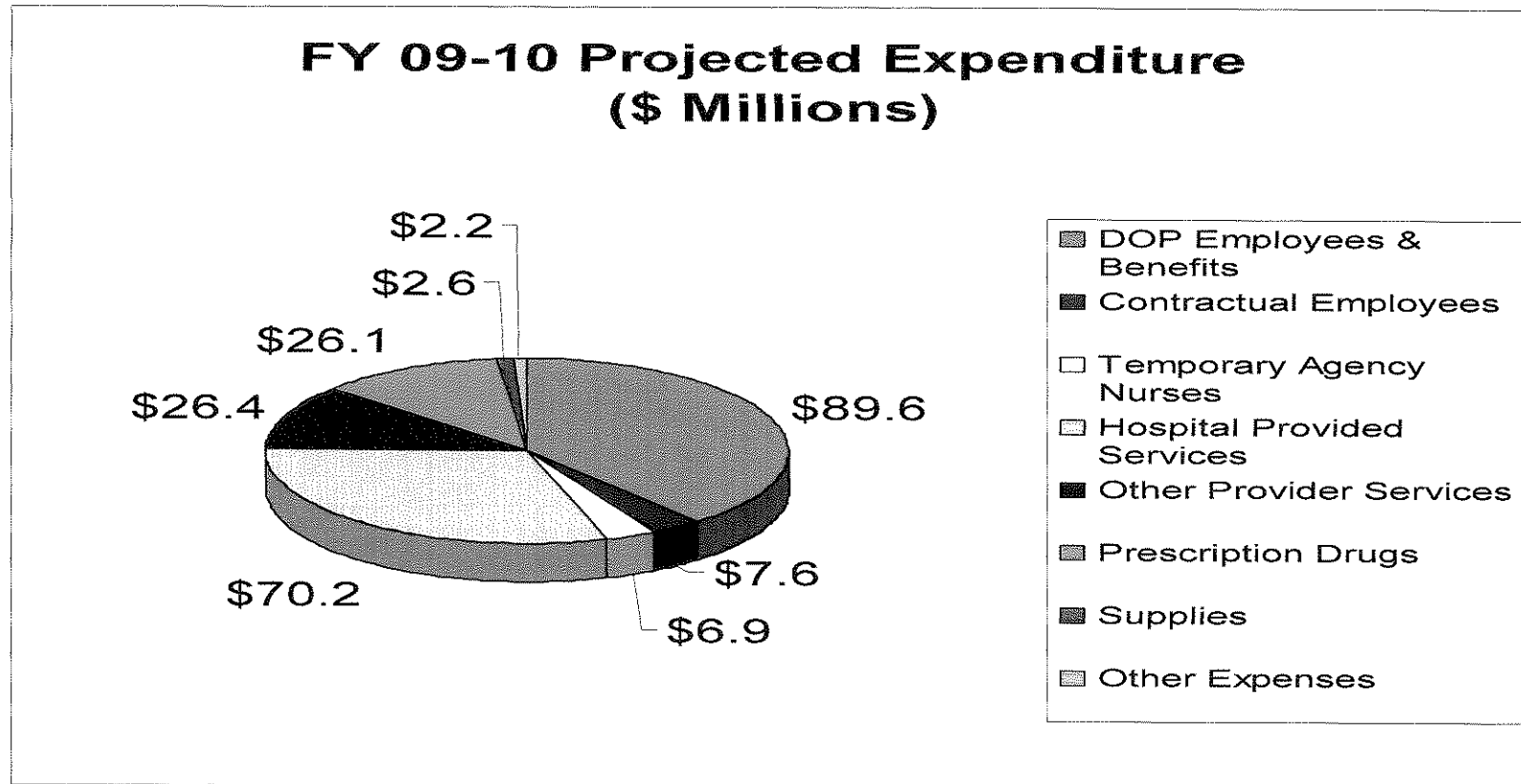
CERTIFIED BUDGET vs. ACTUAL EXPENDITURES



	Certified Budget	Actual Expenditures
FY 2003-04	\$144M	\$143M
FY 2004-05	\$147M	\$165M
FY 2005-06	\$161M	\$196M
FY 2006-07	\$175M	\$210M
FY 2007-08	\$209M	\$233M
FY 2008-09	\$207M	\$255M
FY 2009-10	\$241M	\$254M

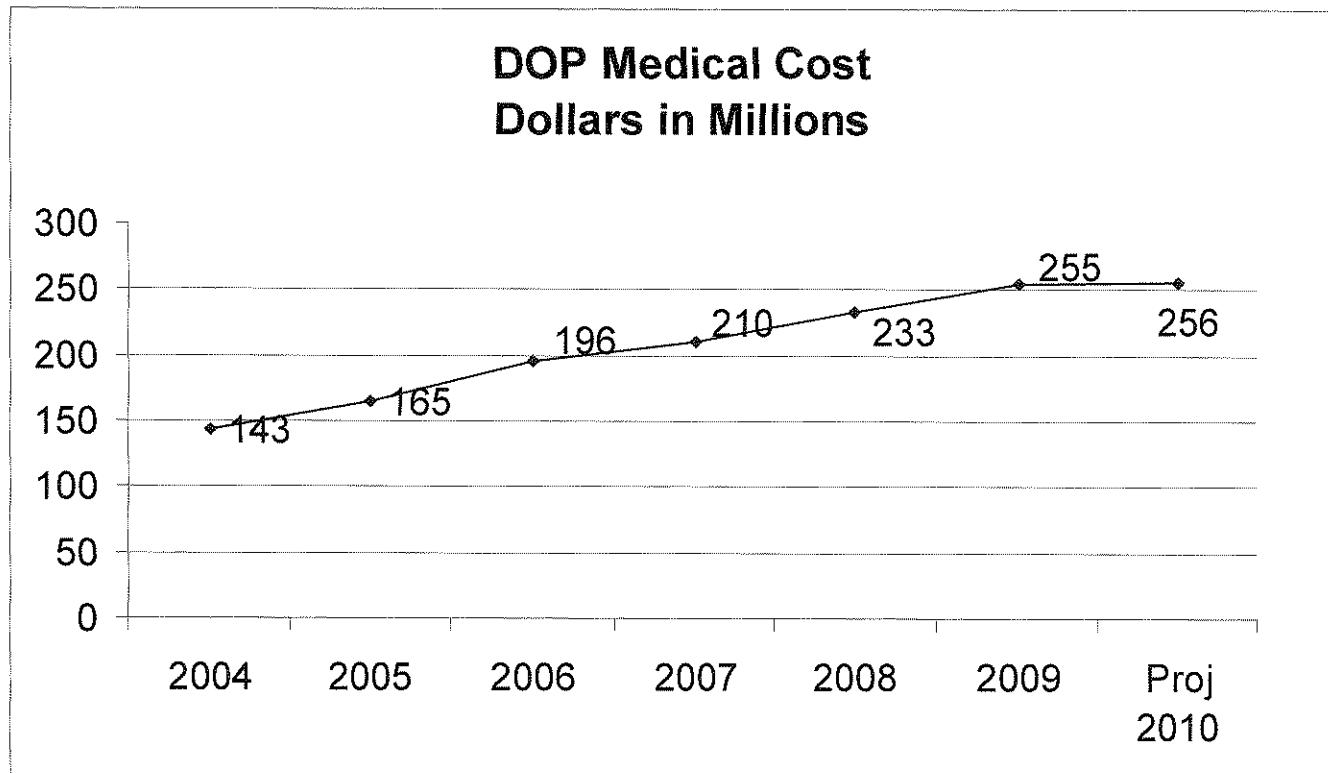
Reflects projected expenses for
FY 09-10 through 5/31/2010

Current Fiscal Year Analysis



Personnel costs are nearly half of all costs
Outside hospitals represent 30% of projected costs
Other provider services account for 11% of costs
Prescription drugs account for 11 % of total costs

Inmate Medical Budget – Expenditure Trends

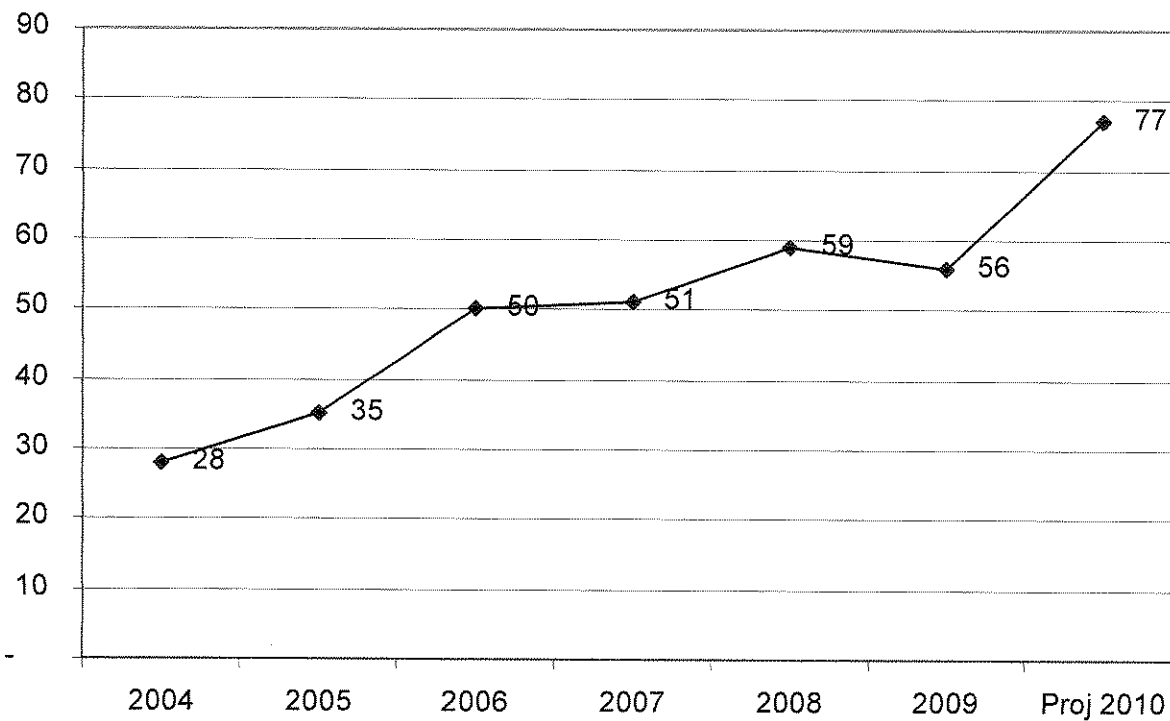


Total spent by fiscal year		
	Dollars	% increase
2004	\$143M	
2005	\$165M	15.4%
2006	\$196M	18.8%
2007	\$210M	7.1%
2008	\$233M	11.0%
2009	\$255M	9.4%
2010*	\$256M	0.4%

Notes: 79% increase from 2004 to 2010
 *2009-10 is projected expenditures as of May 31, 2010

Inmate Medical Budget – Expenditure Trends

Dollars in Millions
Total Hospital Provided Services

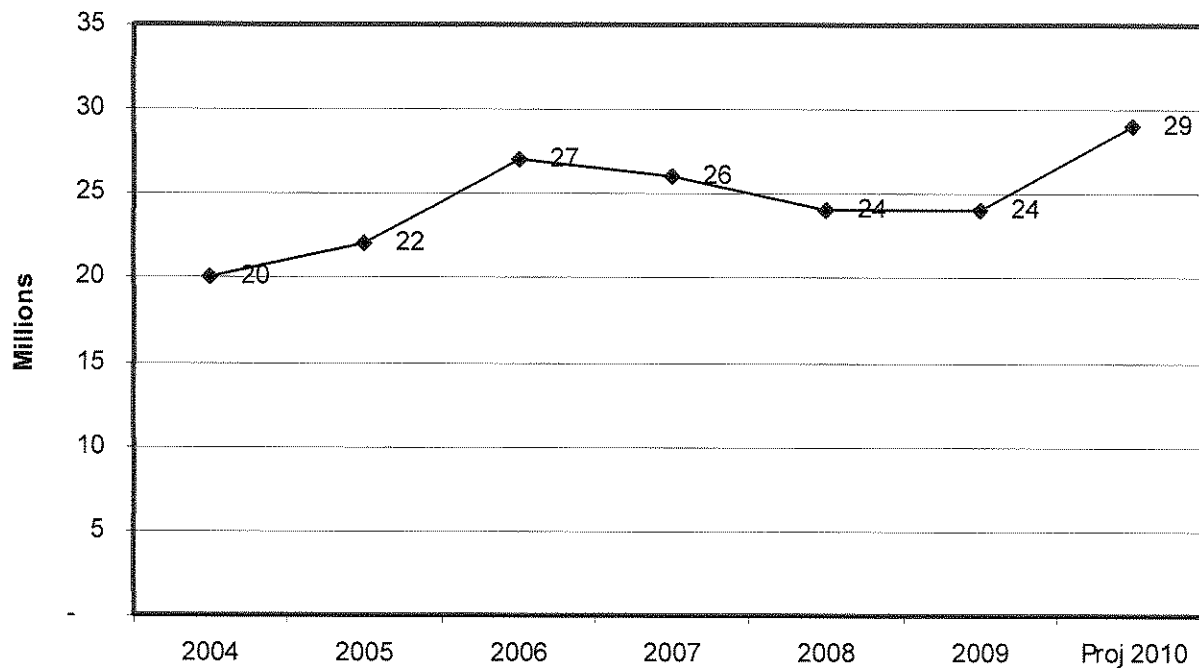


Total spent by fiscal year

	Dollars	% increase
2004	\$28M	
2005	\$35M	25.0%
2006	\$50M	42.9%
2007	\$51M	2.0%
2008	\$59M	15.7%
2009	\$56M	-5.1%
2010*	\$77M	37.5%

Inmate Medical Budget – Expenditure Trends

Dollars in Millions
Total Other Provider Medical Services



Total spent by fiscal year		
	Dollars	% increase
2004	\$20M	
2005	\$22M	10.0%
2006	\$27M	22.7%
2007	\$26M	-3.7%
2008	\$24M	-7.7%
2009	\$24M	0.0%
2010*	\$29M	20.8%

Key Cost Drivers

- Hospitalizations
 - Top 10 Utilized
 - ER visits
 - Admissions
 - Top 12 Diagnoses

- Other Providers
 - Specialty Care

Cost Drivers: Hospitalizations

Hospitalizations / Admissions	Actual FY08-09	Projected FY09-10
Avg # of Hospital Admissions/Month	145	150
Total Hospital Admissions	1746	1806

Total number of hospitals utilized

➤FY 08-09	67
➤FY 09 – April 2010	65

Cost Drivers: Hospitalizations

Top 10 Hospitals	FY08-09				FY09-April 2010			
	Total Claims	Paid	Avg Payment/ Claim	Rank	Total Claims	Paid	Avg Payment/ Claim	Rank
WAKEMED	1392	12.7M	\$9,131	1	1609	13M	\$8,264	1
UNIVERSITY OF NC HOSPITALS	2750	8.8M	\$3,199	2	3275	11M	\$3,441	2
CATAWBA VALLEY MEDICAL CTR.	1415	6.2M	\$4,437	3	1322	6.6M	\$5,006	3
MOORE REGIONAL HOSPITAL	421	3M	\$7,054	4	460	1.9M	\$4,159	6
PITT COUNTY MEMORIAL HOSPITAL	411	2.8M	\$6,659	5	629	4.6M	\$7,404	5
KINDRED HOSPITAL GREENSBORO	93	2.4M	\$25,523	6	157	4.8M	\$30,553	4
DUKE UNIVERSITY HOSPITAL	430	2.1M	\$4,866	7	318	1.5M	\$4,686	7
SOUTHERN REGIONAL MEDICAL	335	1.4M	\$4,180	8	338	1.1M	\$3,462	8
DURHAM REGIONAL HOSPITAL	213	1.3M	\$6,044	9	195	1.7M	\$8,774	9
DUKE RALEIGH HOSPITAL	52	1.1M	\$20,515	10	82	106M	\$19,437	10
Top 10 Hospitals Total	7512	41.8M	\$9,160		8385	47.8M	\$9,518	

➤ Paid amount was rounded

Emergency Room Visits

Cost Category	Actual FY05-06	Actual FY06-07	Actual FY07-08	Actual FY08-09	Actual FY09- April 2010
Average ER Visits Per month	326	389	399	352	365
Total ER Visits	3901	4658	4785	4220	4379
Total Cost	\$6.0 million	\$8.0 million	\$8.8 million	\$8.7 million	\$10.1 million
Total Paid	\$5.0 million	\$6.8 million	\$7.6 million	\$7.7 million	\$8.8 million

Data Source: MOMS Claims (DC702s not processed through MOMS are excluded)

DATA

- Reflects UB92 / UB04 (*claim setting of ER*) Hospital Facility Charges
- Does not include services in ER (i.e. lab, radiology, provider)

Top 12 Most Costly Inmates – External Cost

Inmate	Primary Diagnosis	Total Paid	FY07-08 Claims Paid	FY08-09 Claims Paid	FY09- April 2010
A	Respiratory Failure	\$901,051.05	\$70,936.65	\$302,409.57	\$527,704.83
B	Respiratory Failure	\$808,044.23	\$57.06	\$0	\$807,987.17
C	Thoracic Aneurysm	\$807,687.34	\$282,331.80	\$519,666.40	\$5,689.14
D	Septicemia	\$770,972.64	\$0	\$0	\$770,972.64
E	Respiratory Failure	\$729,721.99	\$73,647.43	\$187,761.09	\$468,313.47
F	Encounter for Antineoplastic Chemotherapy	\$709,128.70	\$400,743.16	\$194,448.43	\$113,937.11
G*	Self Inflicted Gunshot to Head	\$686,685.30	\$523,573.15	\$92,917.13	\$70,195.02
H	Atrial Fibrillation	\$625,603.43	\$410,104.68	\$215,498.75	\$0
I	Other Post-OP Infection	\$618,569.38	\$614,592.00	\$3,977.38	\$0
J	Self Inflicted Punctures to Head and Lungs	\$533,752.03	\$0	\$527,513.85	\$6,238.18
K	Infection and Inflammatory Reaction due to Vascular Device, Implant and Graft	\$513,626.21	\$500,680.73	\$12,945.48	\$0
L	Other Late Amputation Stump Complication	\$512,800.73	\$111,343.65	\$398,917.25	\$2539.83

* Safekeeper

Top 12 Most Costly Inmates – External Cost (cont.)

- **ICU care**
- **Multiple admissions**
- **Changes each year**

Cost Drivers: Other Providers

Top 15 Specialty Areas	Actual FY07-08	Actual FY08-09	FY 09-10 to date
Other Specialty	\$2.0M	\$2.0M	\$2.3M
Laboratory & Ultrasound	\$3.6M	\$4.3M	\$3.5M
Dialysis	\$2.6M	\$1.8M	\$2.3M
GP-Internal Med	\$3.6M	\$3.5M	\$3.6M
Radiology	\$2.1M	\$1.8M	\$1.9M
Surgeon	\$1.9M	\$1.6M	\$1.4M
Anesthesia	\$1.1M	\$934K	\$855K
Cardiology	\$695K	\$520K	\$620K
Orthopedics	\$726K	\$782K	\$832K
Dental	\$219K	\$327K	\$418K
Ophthalmology	\$674K	\$555K	\$425K
Urology	\$347K	\$342K	\$337K
Optometry	\$351K	\$311K	\$293K
Neurology	\$197K	\$207K	\$224K
Psychiatrist	\$354K	\$684K	\$884K
Total	\$16.8M	\$19.7M	\$19.5M

Impact of Cost Drivers

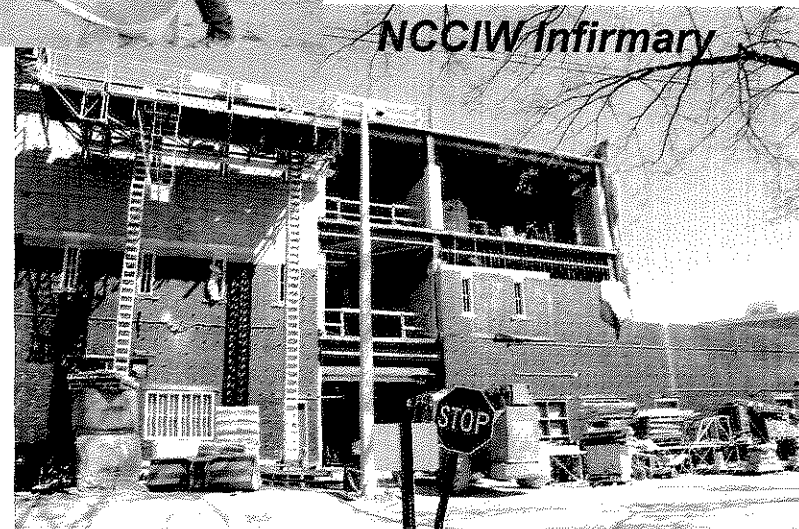
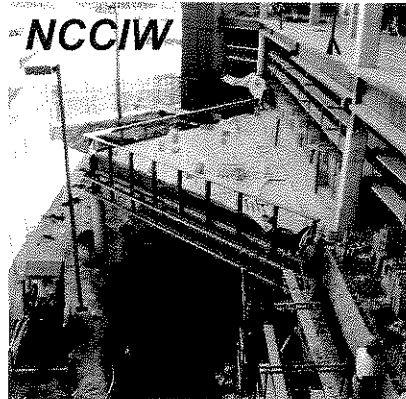
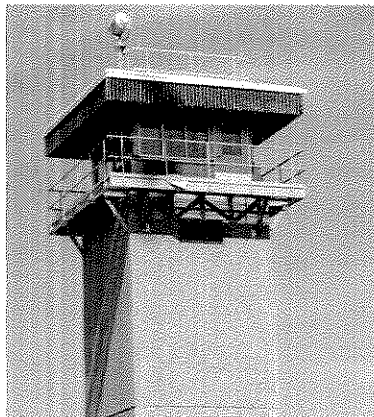
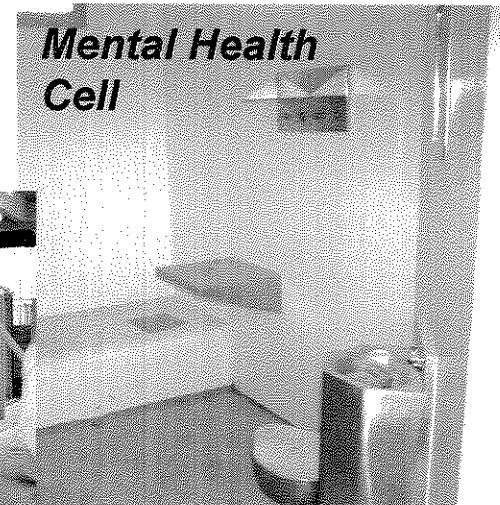
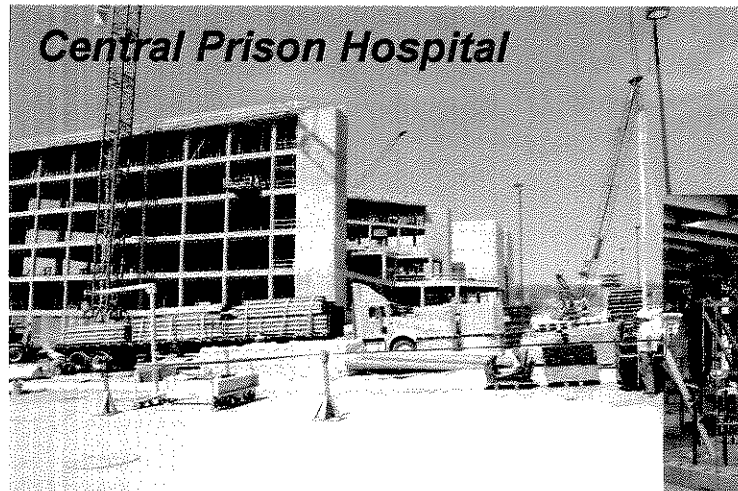
Facts:

- The Department has no legal leverage that mandates medical providers must treat inmates
- Lack of baseline charges or fee schedule based on known standard
- There are increased costs associated with treating inmates in community hospitals i.e. private hospital rooms

Cost reduction emphasis:

- Standardizing contract language to require consistent claims coding, making it easier to apply information technology more effectively and compare value for comparable diseases, procedures, revenue codes, etc.
- NCDOC is working with a number of entities including the NC Hospital Association and DHHS
- Need fee schedule tied to known standard (Medicare or Medicaid)
- Posted an RFP to contract for a third-party administrator to handle external health care delivery to inmates (HB 836)
 - RFP includes claims management, utilization review and provider network
- Purchasing and Contract, along with Accounting working to assure that contracts are followed as defined
- Request made to NC Hospital Association to identify underutilized hospitals

The future – New facilities, new services



The future – New facilities, new services

- Healthcare Facilities
 - Completion Fall 2011

- NCCIW
 - Clinic space
 - Updated Infirmary
 - Mental Health Facility
 - Onsite diagnostic and support services

- Central Prison
 - 120 Medical beds
 - 200 Mental Health beds
 - Clinic space
 - Onsite diagnostic and support services

Impact on Current Services (External)

- Anticipate 30% reduction in number of inmates requiring external services
 - Hospitalizations
 - Chemotherapy
 - Physical therapy
 - CT Scans
- Anticipate cost shift back to new facilities
- Increased public safety

Summary

- NCDOC welcomes legislative efforts to reduce costs
- Concerns with special provision
 - The Department needs leverage mandating access for inmate medical care
 - Lack of baseline charges or fee schedule based on known standard
 - If the reimbursement rate must be tied to a percent of billed charged then there must be a cost increase offset tied to the Consumer Price Index for medical care
 - Due to current custody and health care housing structure, the Department may only guarantee 20% of necessary hospitalizations at one location
- Workgroup (DHHS & NCDOC) established to determine eligibility for Medicaid at prison entry
- Request made to NC Hospital Association to identify underutilized hospitals
- Architectural models of the new facilities are available